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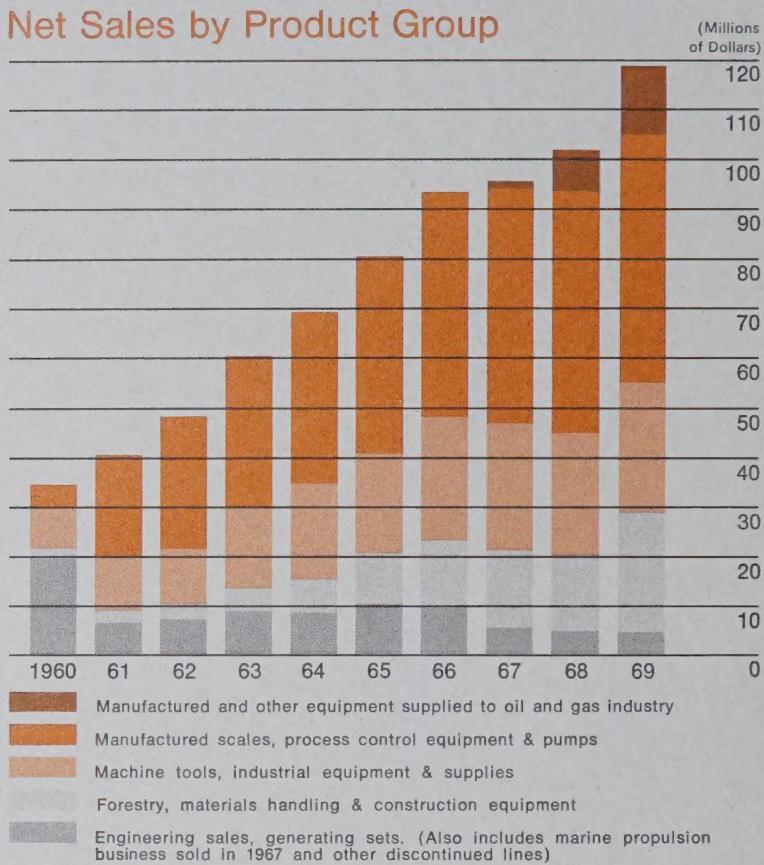
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Subsidiaries and Divisions	4-11	1,052,628	101,960,010
Financial Report	13-19	1,032,000	31,875,000
Five-Year Review	20	1,685,278	2,890,028
Organization	21	1,229,538	1,522,325
Directors and Officers	22	1,455,740	1,367,703
		—	699,884
		1,455,740	2,067,587
			— 29.6
		1.27	1.18
		1.17	1.08
		1.27	2.01
		1.17	1.91
		1,046,393	933,815
		1,692,865	17,180,421
		1,884,591	61,225,576
		1,062,142	19,823,311
			— 1.2

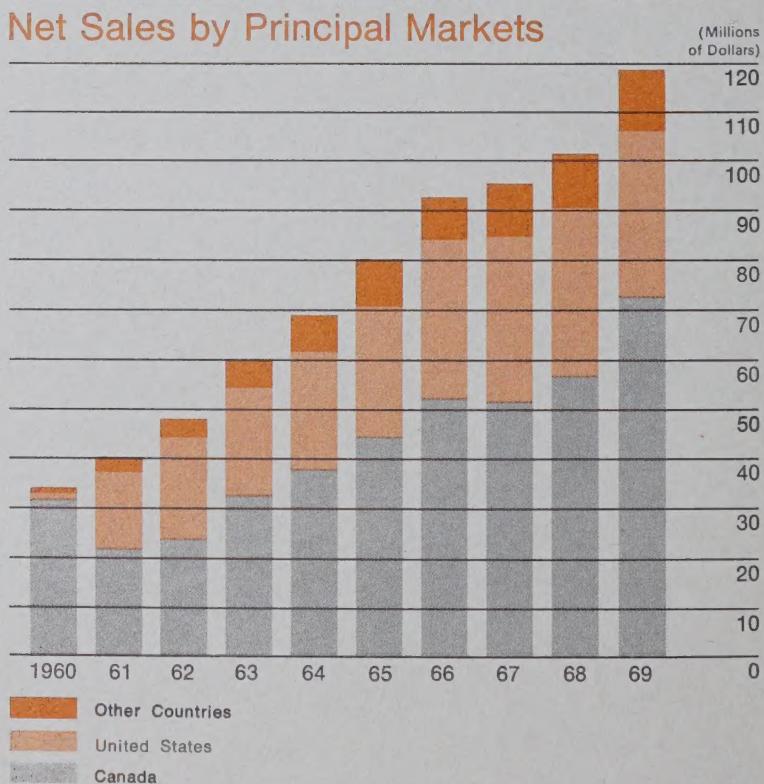
Cover

Stylized globe illustrates the diversity and international scope of the Robert Morse Corporation operations. From top to bottom: equipment for the Canadian logging industry, giant steel vessel manufactured by Cessco for the petroleum industry, Johnston pumps widely used in North and South America and as far away as Asia and the Middle-East, and Howe Richardson scales manufactured in the U.S., Canada, Mexico, England, France, Australia and South Africa.

Net Sales by Product Group



Net Sales by Principal Markets





Robert Morse Corporation Limited and Subsidiary Companies

Summary

	1969	1968	% Change
Orders Booked	\$119,210,000	\$108,133,000*	+ 10.2
Net Sales	119,052,628	101,960,010	+ 16.8
Backlog	32,032,000	31,875,000	+ 0.5
Income Before Taxes and Extraordinary Items	3,685,278	2,890,028	+ 27.5
Income Taxes	2,229,538	1,522,325	+ 46.5
Income before Extraordinary Items	1,455,740	1,367,703	+ 6.4
Extraordinary Items	—	699,884	
Net Income	1,455,740	2,067,587	— 29.6
Earnings per Share:			
Before Extraordinary Items			
Class A	1.27	1.18	
Class B	1.17	1.08	
After Extraordinary Items			
Class A	1.27	2.01	
Class B	1.17	1.91	
Depreciation	1,046,393	933,815	+ 12.1
Working Capital	16,692,865	17,180,421	— 2.8
Total Assets	62,884,591	61,225,576	+ 2.7
Shareholders' Equity	20,062,142	19,823,311	+ 1.2

* Includes \$2,438,000 of orders on hand on acquisition of CESSCO

To Our Shareholders



Robert Morse III

Consolidated sales of the Company increased for the ninth consecutive year reaching \$119 million, 17% higher than the previous year. Operating income, before interest expense, depreciation and income taxes, rose to \$6,778,000 from \$5,283,000 in 1968. After substantially increased interest costs and a higher than normal rate of consolidated income taxes, net income was \$1,456,000 as compared with \$1,368,000. This was equivalent to \$1.27 and \$1.17 per Class A and B share, respectively in 1969 and \$1.18 and \$1.08 in the previous year. In 1968 there were extraordinary capital gains of \$700,000 or 83 cents per Class A and B share and no such items in 1969.

The increased operating profit was accomplished despite a five-week strike at Johnston

Pump Company which interrupted its excellent ten-year record of continuous growth, and a significant loss at one Canadian subsidiary which is now operating under new management.

Howe Richardson Scale Company and its affiliates outside the United States maintained their fine performance with sales and order bookings again exceeding the records of the previous year. The Company is now one of the two largest manufacturers of industrial scales and weighing systems in the United States. With a record backlog at the end of 1969, Howe Richardson looks forward to another good year in both sales and profit contribution.

Canadian Equipment Sales and Service Co. Ltd. made a strong contribution to earnings in 1969. During the year Cessco expanded and improved its facilities and is now in a position to surpass in 1970 the record year established in 1969.

Among the various Canadian distribution activities, the Rudel Industrial Division enjoyed a good year. While shipments of machine tools were somewhat affected by a slowing in capital expenditures, the industrial equipment and supply segment made excellent progress. The contributions to earnings of our Materials Handling, Engineering Sales and Canadian Scale Divisions were below our minimum acceptable levels. Forestry and sawmill equipment operations maintained their strong momentum, a contributing factor being completion of a \$2,000,000 contract for Crestbrook Forest Industries Ltd. in British Columbia.

Management emphasis in the current year is on the improvement of profit margins and a number of specific programs are already under way. Some of these programs will result in

reduced investment in certain unprofitable and marginal activities. The projected savings in interest charges together with related substantial reductions in corporate and divisional expense will have a progressively significant impact on earnings commencing in the second half of this year and extending throughout 1971.

In 1970 we look forward to a satisfactory year with Cessco and Howe Richardson maintaining their excellent and growing contributions. Johnston Pump is expected to make a good recovery, with anticipated renewed activity in irrigation and deferred government projects as well as the acceleration of water pollution control programs.

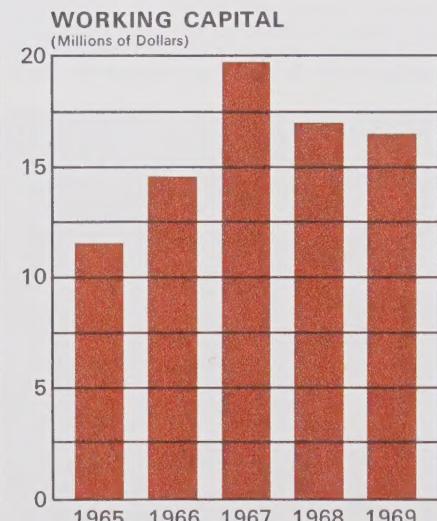
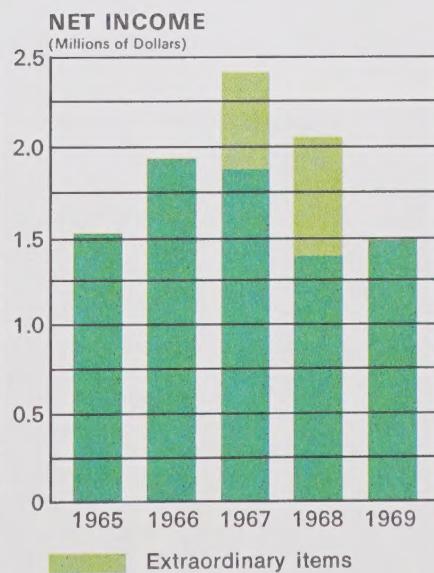
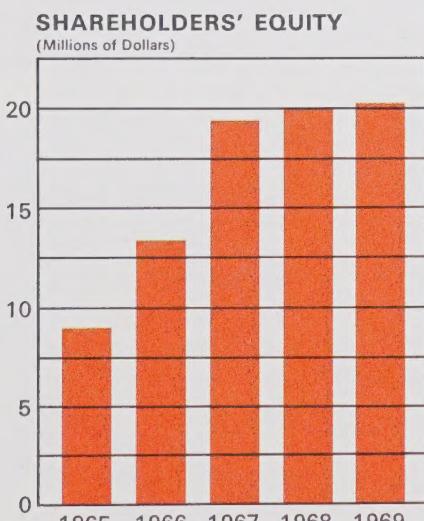
The hard work, loyalty and team efforts of all our employees during the year are deeply appreciated, and we know their continued support will contribute to the achievements of new records in the years immediately ahead.

On behalf of the Board of Directors.



President and Chief Executive Officer

April 10, 1970





Howe Richardson Scale Company

Howe Richardson, now the second largest scale manufacturer in the U.S. and the largest serving only the industrial scale market, is a world leader in such sophisticated and automated areas as electronic proportioning, computer-controlled weighing systems, continuous weighing scales, packaging systems, checkweighing and weighing-in-motion systems.

Sales and order bookings in 1969 exceeded the previous year's record levels and the company entered 1970 with an all-time high backlog. The systems division, which now accepts engineering and installation responsibilities, experienced its most successful year to date with bookings up 30% over 1968, largely in the key industries of rubber, plastics, food, paper and glass. An order was received during the year for a substantial number of Howe Richardson's patented "loss-in-weight" systems which utilize solid state and digital controls in the handling and weighing of difficult bulk materials on a continuous flow basis. A new automatic bulk receiving and shipping scale also using solid state control and digital indicator was introduced to the market in 1969. The continuous weighing division in its second full

Solid state digital weight indication is a feature of this electronic control panel manufactured by the Canadian Scale Division and installed at the Aluminum Company of Canada smelter plant at Arvida, Quebec. The system proportions ingredients by weight to produce carbon paste used in the manufacture of electrical anodes.



year, has added new products and is progressing well.

Expansion of field service activities was carried out during the year and an accelerated program of training mechanical and electrical technicians will continue through 1970 and beyond.

Canadian Scale Division

Although sales showed a modest increase in 1969, division profits were adversely affected by a non-repetitive inventory correction, high warranty expenses on two major installations and higher labor and material costs. With increased activity in the last two months, particularly in the systems area, the division looks forward to improved results in 1970.

Overseas Operations

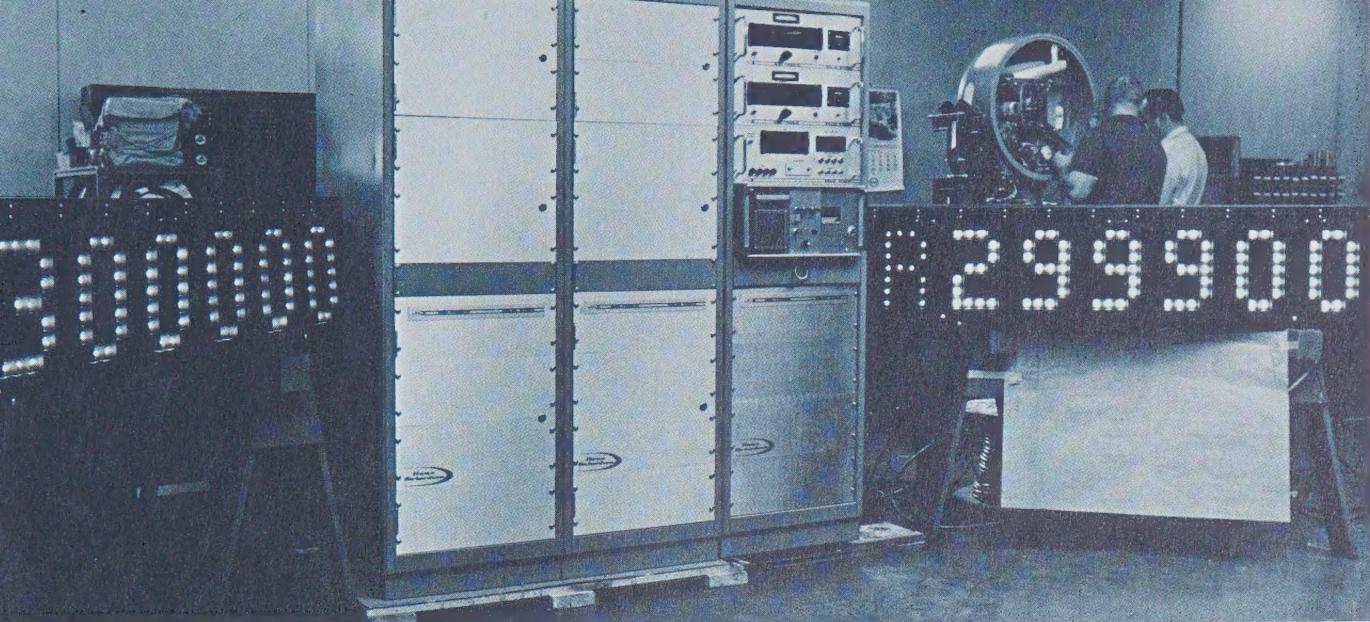
Howe Richardson Scale Co. Limited, *England* and its subsidiary, Midland Sheet Metal Limited reported record results and order backlog for 1969 with both sales and operating profits up more than 25% over the previous year.

An 18,000 square foot expansion in the manufacturing area of the companies during the year nearly doubled existing capacity and will provide the necessary facilities to handle the increasing volume of business anticipated in 1970. With an excellent backlog and good prospects the company looks forward to another year of continued growth in all phases of operations.

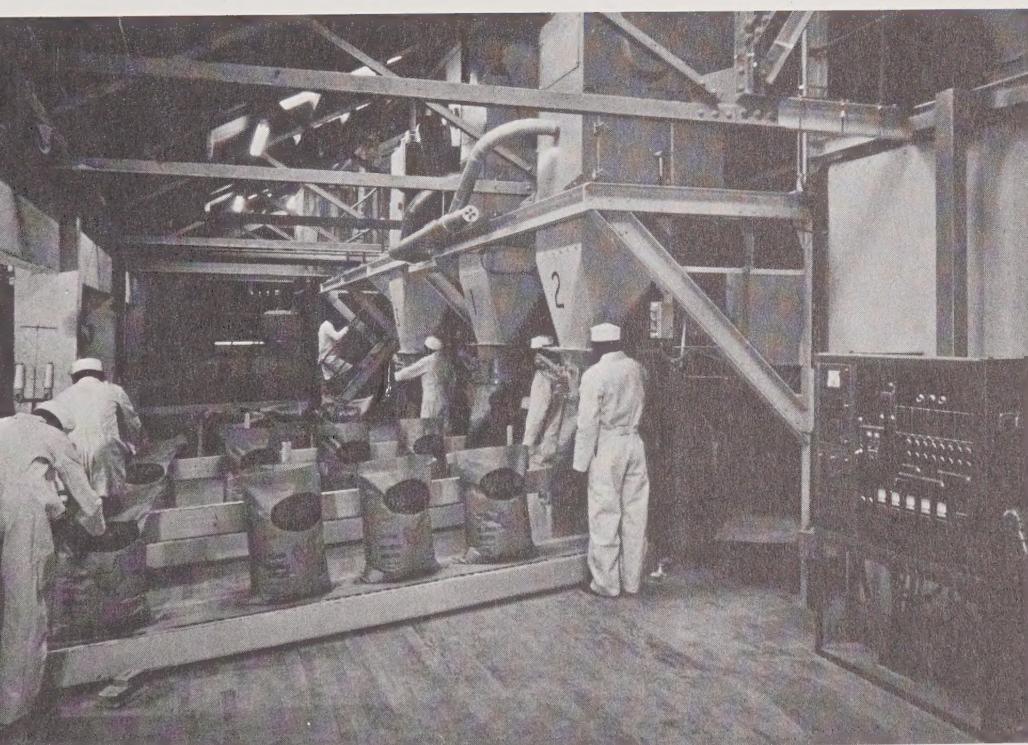
Although operating results of Richardson Scale Company (France) S.A. were below levels of the previous year, domestic and export inroads in the tire and rubber industries were encouraging, and improvement is anticipated in 1970.

Howe Richardson Scale (Africa) (Pty.) Limited, *South Africa* made an excellent recovery from a relatively poor year in 1968 to achieve record sales and profits in 1969.

Sales at Howe Richardson Scale Co. (Pty.) Limited, *Australia* were slightly below levels of the previous year, but prospects for 1970 are good with a large backlog and substantial outstanding quotations at year-end.



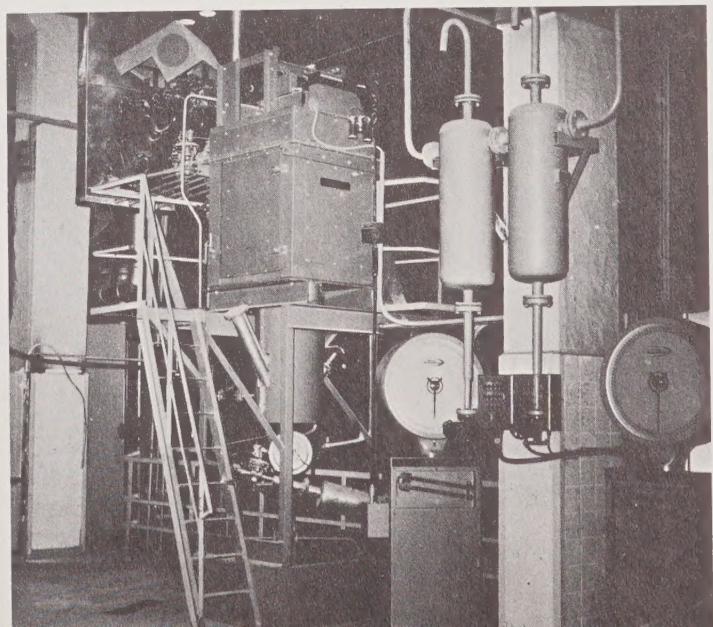
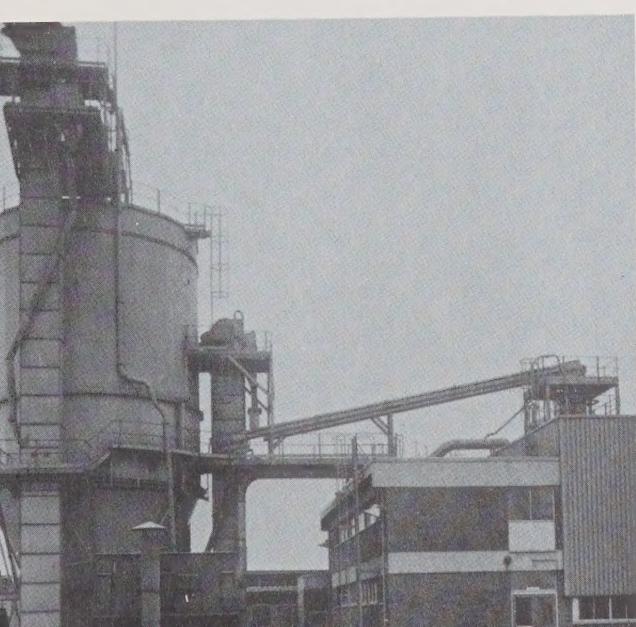
Above: Large scoreboard provides digital weight indication from remote scale and control panel to be used in a scrap weighing system at Republic Steel, Chicago.



Left: A feed mill in Cape Town, South Africa using bagging scales manufactured at the Howe Richardson plant in Johannesburg.

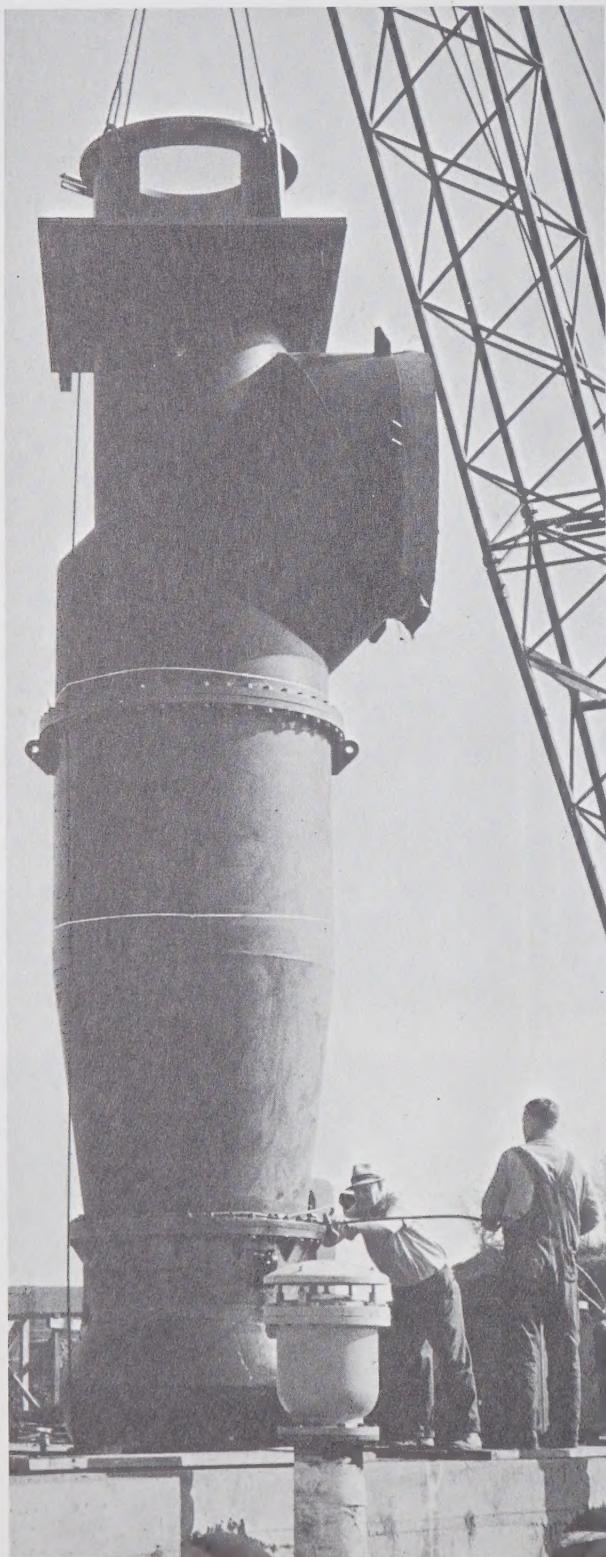
Bottom left: A carbon black intake and storage system supplied by our English subsidiary to Dunlop Rubber Company Limited, Birmingham, England.

Below: Portion of a carbon black batching system in a large tire plant at Vidin, Bulgaria. The complete system was supplied by Richardson Scale Company, France.





Johnston Pump Company



The Company continued to progress in developing its markets and product lines in 1969 but due to a combination of special factors it experienced an interruption in its continuous ten year record of successive increases in sales and bookings. A strike of over five weeks duration at the Glendora plant and strikes in plants of important suppliers, contributed to reduced production. Sales of irrigation pumps, a major line, fell off because of heavy rains early in the year in the western and south-western states.

In the growing power generation plant market the company received substantial orders from utilities in Kentucky, Texas and Florida. Successful performance in one case has resulted in a further booking for two additional two stage 50 in. mixed flow pumps with 1750 HP motors for condenser circulating duty. Significant progress was made during the year in developing prototype turbine pumps achieving higher pressure and improved efficiency.

Export sales increased considerably in 1969 with the largest single order exceeding \$500,000 going to Guatemala City. Other large volume export customers of Johnston pumps during the year were Tunisia, Chile and Puerto Rico. Export potential for 1970 appears good and order bookings should equal or exceed 1969.

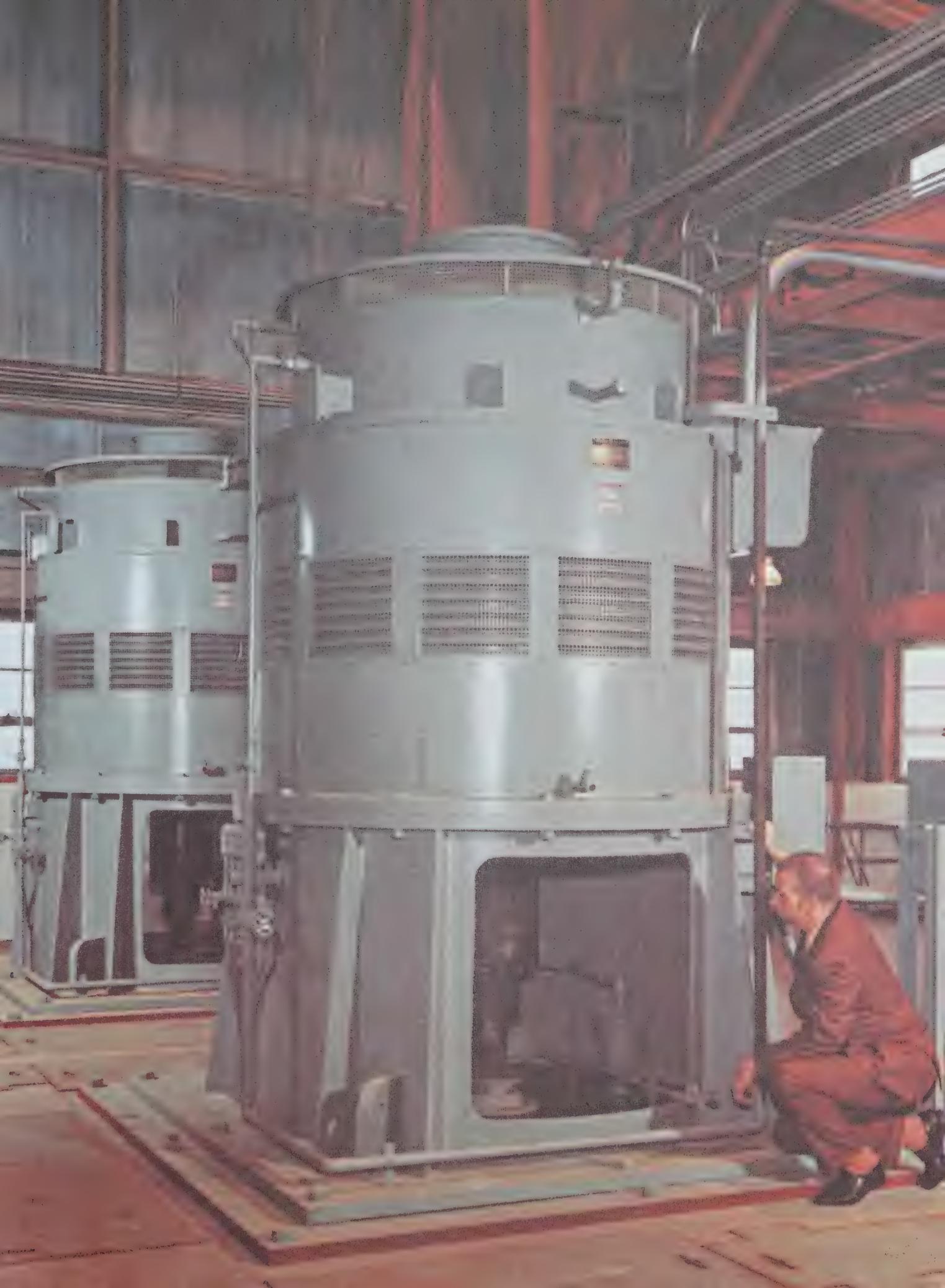
Despite some uncertainty regarding the possible impact of governmental and financial restraints to combat inflation, the outlook for 1970 is encouraging. A good backlog, increased selling prices to cover higher production costs, strengthened sales coverage and new product developments are expected to bring improvements in sales and profits in 1970.

Johnston Howe de Mexico

Results in 1969 of the Johnston Howe de Mexico pump and scale operations continued to improve with substantial gains in both net sales and operating income. Pumps still constituted a major share of the sales volume although a wider variety of products and a more significant percentage of scales were sold than in any previous year.

Left: One of four Johnston 700 HP storm drain pumps being installed at a City of Sacramento, California water project.

Opposite page: These two Johnston 1,750 HP water circulating pumps installed at the Cane Run Generating Station of the Louisville Gas & Electric Co., Kentucky are each capable of pumping 73,000 gallons per minute.





Canadian Equipment Sales & Service Co. Ltd.

Since its acquisition in May 1968, Cessco has consistently given an outstanding performance with sales in 1969 again reaching a record level. The company manufactures equipment and supplies diversified services to the oil, gas and related industries across Canada. Manufacturing facilities and head office are in Edmonton, Alberta.

During the year, the manufacturing division fulfilled a wide variety of orders including custom-built storage tanks and heavy pressure vessels for local refinery expansion projects, field installations in the Northwest Territories and Arctic regions and a contract to line the tallest smokestack in Western Canada.

The production equipment division which designs, manufactures and installs packaged gas processing plants, compressor stations and other field equipment, doubled the size of its assembly facilities in 1969. Cessco places special emphasis on its capability to construct and assemble skid-mounted petroleum equipment for the remote areas of the rapidly devel-

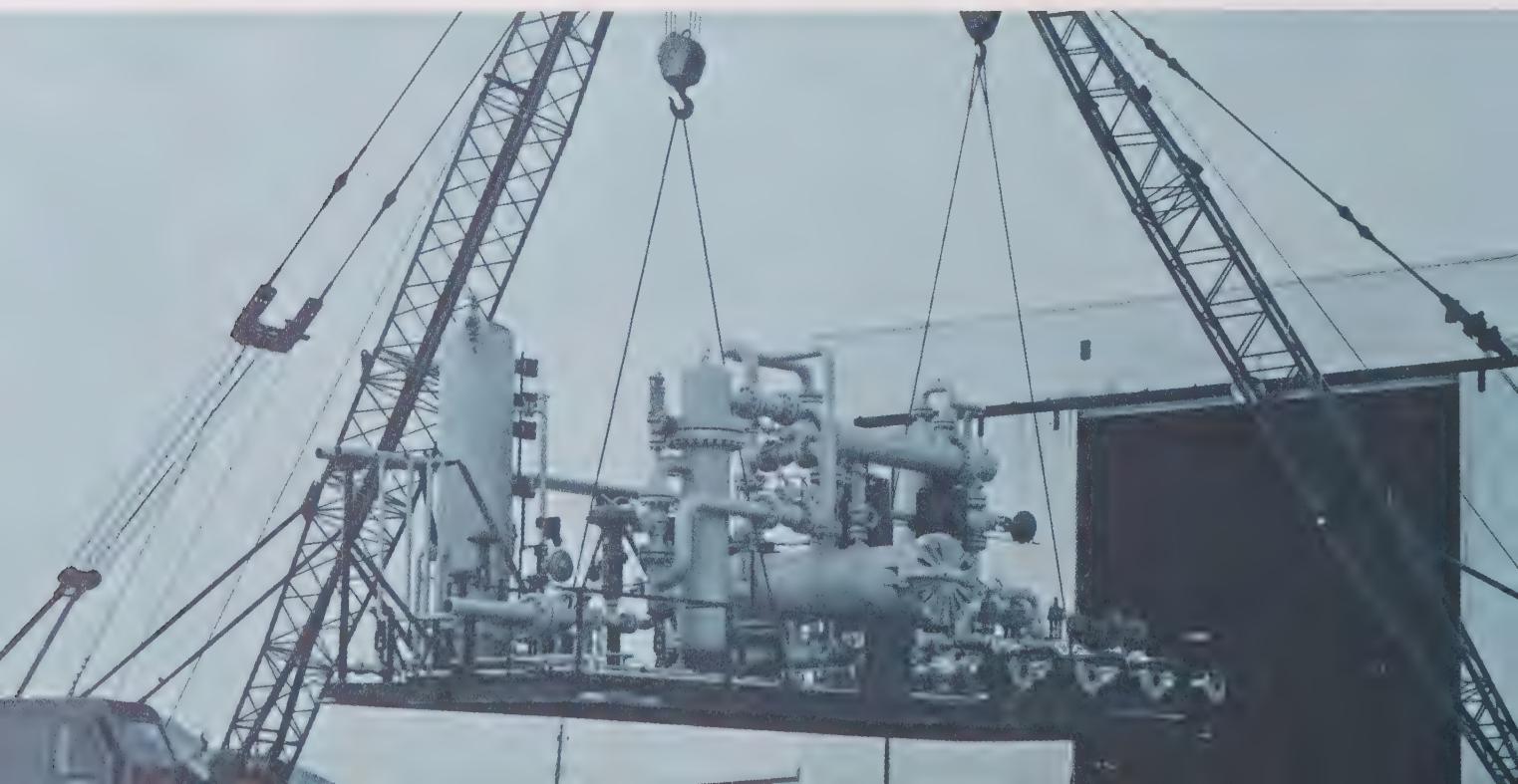
oping oil and gas fields north of latitude 60° in the Northwest Territories, Yukon and Arctic.

In anticipation of a trend to larger oil and gas transmission pipelines from the present Canadian manufactured limit of 36 inches diameter, Cessco's pipeline division is preparing to meet an increasing demand for larger and heavier pipeline construction equipment in 1970 and beyond.

To support the growth in all phases of its operations, additions have been made to Cessco's manufacturing facilities and product range. Among these are the installation of a plasma arc unit for cutting stainless and other steel alloys up to two inches thick, and plastic pipe supply facilities for the promising residential and industrial markets.

Reflecting its excellent acceptance in serving the rapidly growing oil, gas and pipeline industries, Cessco is maintaining a strong volume of order bookings and looks forward to another year of substantial growth in sales and earnings.

Cessco packaged natural gas processing plant capable of processing up to 175 million cubic feet of raw gas daily shown being loaded for shipment to Nelson, B.C. area.





Welding internal seam in large steel vessel shell at Cessco's manufacturing plant in Edmonton. All seams both circumferential and longitudinal are automatically welded inside and outside by submerged arc.

Mid-Western Compressor Supplies Limited

Well-known in Alberta, Saskatchewan and British Columbia, Mid-Western sells, services and rebuilds gas compressors and related equipment for the oil, gas and petrochemical industries.

At its Calgary plant, the company has facilities for over-hauling and rebuilding a full range of compressor and power units used by the oil and gas industry. Much of the company's ser-

vicing is also carried out in the field by experienced crews and technicians.

Operations were expanded in 1969 to include packaged compressor stations. While overall sales volume increased above the 1968 level, company earnings were adversely affected by the losses on certain projects undertaken during the year. A reorganization has taken place and the company is looking forward to renewed progress.



Rudel Industrial Division

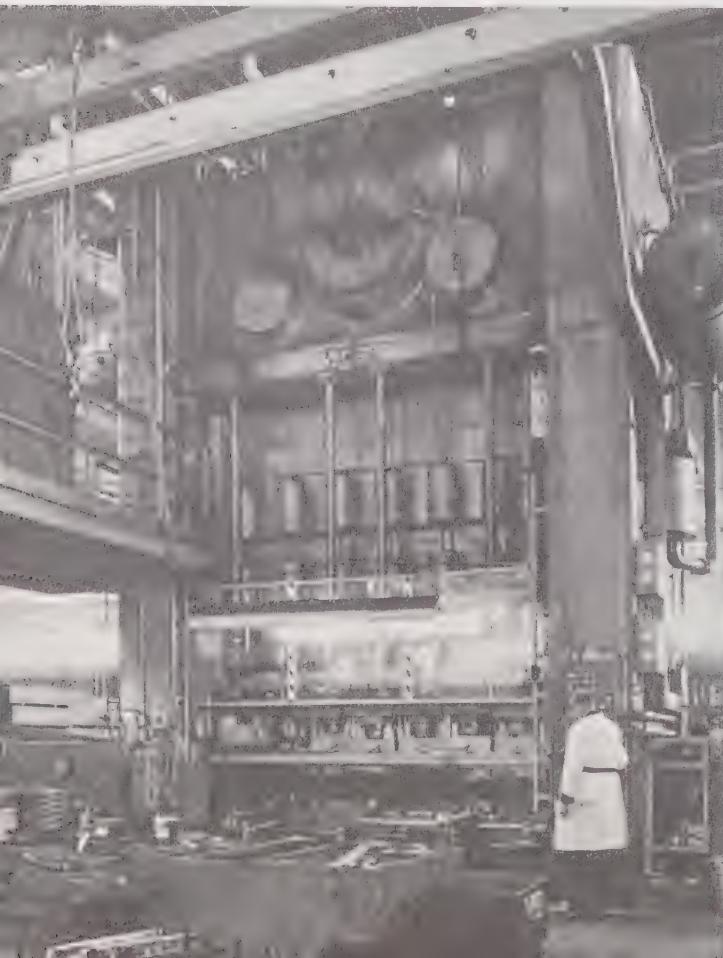
Total sales and earnings of this Canadian division reached a new high in 1969 largely as a result of excellent growth in the industrial equipment and supply business. Shipments of machine tools continue to be affected by the high interest rates. This has caused many companies to delay capital equipment purchases particularly numerically-controlled metal-cutting equipment which is heavily dependent on auto and aircraft industry buying.

Sales of abrasives, power transmission products and cutting tools all made substantial gains in 1969 and, in total, their volume has

more than doubled over the past five years. The Rudel Division continues to be the largest distributor of Norton abrasives in Canada and is rapidly establishing itself as a major supplier of Boston Gear power transmission products.

Machine tool bookings in the first half of 1970 are expected to be somewhat below comparable levels in 1969. A strong trend toward investment aimed at boosting productivity to counteract high labor and material costs should bring about an upturn in the second half producing an equivalent or higher volume of business and improved results for the year.

This 3000-ton Verson Transmat Press at Kelsey-Hayes, Windsor, Ontario, performs seven operations automatically on automobile wheel spiders discharging one complete unit on each stroke.



Complex, precision parts are being machined on this Giddings & Lewis Gisholt numerically controlled vertical turret lathe supplied to Canadian Vickers, Montreal.



Forestry Equipment and Materials Handling

The strong momentum of bookings reported last year continued through 1969 with sales and operating profits reaching the highest level in the division's history.

Completion during the year of the \$2 million Crestbrook Forest Industries contract for sawmill machinery manufactured by the Robert Morse Galbraith & Sulley plant in Vancouver and a wide range of other equipment including fork lift trucks contributed to the significant gain in the division's business.

The program of strengthening facilities and customer service operations was maintained in 1969 with the opening of a branch at New Richmond, Quebec, and the establishment of new facilities at Quebec City. The forest industry's continued emphasis on equipment and methods to improve productivity of woodlands

Powerful Can Car Tree Farmer skids cut timber over rough terrain.

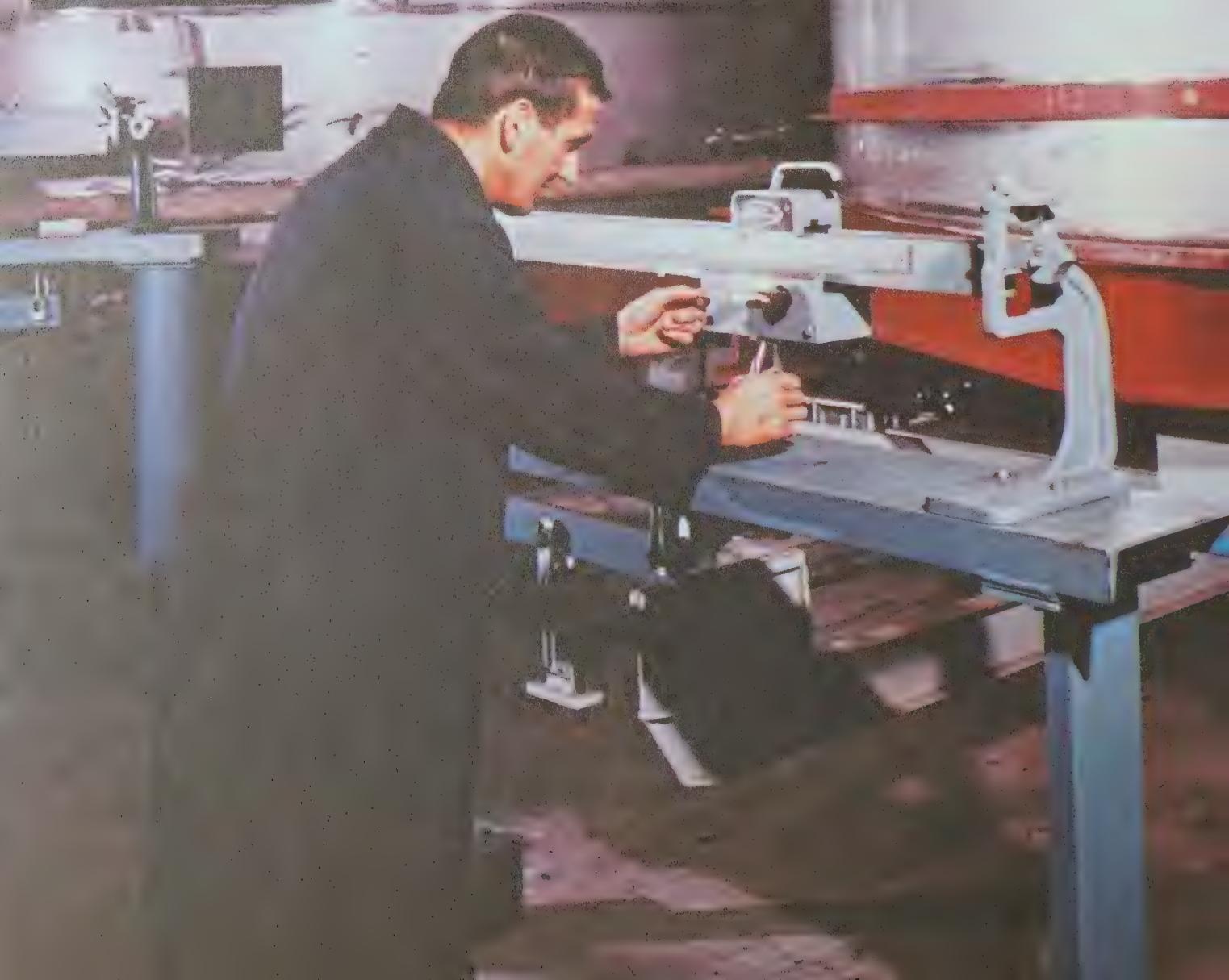


operations resulted in the development and introduction during the year of a new high speed slasher which automatically saws full tree lengths into 4, 8 or 16 foot logs. A new versatile grapple forwarder manufactured by BM-Volvo in Sweden has undergone extensive trials in Northern Quebec and is considered to have excellent potential in the industry's increasing trend toward mechanization. The acquisition late in the year of distribution rights for Swecan Saw Company's wide range of high speed edging, sawing and chipping machinery which, together with the Trojan line of sawmill equipment and dry kilns manufactured by Galbraith and Sulley, now places the division in an excellent position to take full advantage of the anticipated growth in the sawmill industry across Canada.

A high-speed Swecan twin line-bar resaw processing small log timber in a Northern Quebec sawmill.



SCALE TANK# 101
RESERVOIR & BALANCE
45.002.9 IMP GALS
GALS IN





Robert Morse Corporation Limited
and Subsidiary Companies

Consolidated Statement of Income

For the year ended December 31, 1969	1969	1968
Net sales	<u>\$119,052,628</u>	<u>\$101,960,010</u>
Income from operations for the year, before the undernoted items	<u>\$ 6,778,148</u>	<u>\$ 5,283,234</u>
Interest (including \$443,822 on long-term debt)	2,062,061	1,468,704
Depreciation	1,046,393	933,815
Minority interest	(15,584)	(9,313)
	<u>3,092,870</u>	<u>2,393,206</u>
Income before taxes and extraordinary items	3,685,278	2,890,028
Income taxes	<u>2,229,538</u>	<u>1,522,325</u>
Income before extraordinary items	<u>1,455,740</u>	<u>1,367,703</u>
Extraordinary items (Note 3)	—	699,884
Net income	<u>\$ 1,455,740</u>	<u>\$ 2,067,587</u>

Consolidated Statement of Retained Earnings

Balance at beginning of year:		
As previously reported	\$ 9,001,454	\$ 8,475,928
Prior years' income tax adjustments	—	159,941
As restated	9,001,454	8,315,987
Net Income	<u>1,455,740</u>	<u>2,067,587</u>
	<u>10,457,194</u>	<u>10,383,574</u>
Less: Premium on shares of subsidiaries, written off	—	169,659
Payment of guarantee price re share purchase warrant (Note 5)	86,368	—
	<u>10,370,826</u>	<u>10,213,915</u>
Dividends:		
Series A Preferred shares - \$2.75 (\$2.75 in 1968)	194,831	197,258
Series B Preferred shares - \$2.75 (\$2.75 in 1968)	198,000	198,000
Class A shares - \$1.00 (\$1.00 in 1968)	599,738	588,482
Class B shares - \$0.90 (\$0.90 in 1968)	228,721	228,721
	<u>1,221,290</u>	<u>1,212,461</u>
Balance at end of year	<u>\$ 9,149,536</u>	<u>\$ 9,001,454</u>

(See Notes to Financial Statements)



Robert Morse Corporation Limited
and Subsidiary Companies

Consolidated Balance Sheet, December 31, 1969

ASSETS	1969	1968
CURRENT ASSETS:		
Cash	\$ 997,197	\$ 702,073
Accounts and notes receivable	23,118,400	22,851,269
Income taxes recoverable	285,785	445,026
 Inventories (at the lower of cost or market):		
Finished products, manufactured or purchased	16,879,188	17,549,280
Work-in-process	5,069,701	3,906,822
Raw materials and supplies	4,705,936	4,272,952
	<u>26,654,825</u>	<u>25,729,054</u>
Prepaid expenses	571,294	482,512
	<u>51,627,501</u>	<u>50,209,934</u>
 FIXED ASSETS, at cost:		
Land	754,208	752,221
Buildings	4,989,927	4,701,876
Plant and equipment	11,127,904	10,272,932
	<u>16,872,039</u>	<u>15,727,029</u>
Less: Accumulated depreciation	7,721,600	6,820,436
	<u>9,150,439</u>	<u>8,906,593</u>
 PREMIUM ON SHARES OF SUBSIDIARIES (at cost, less amounts written off)	2,106,651	2,109,049
	<u><u>\$62,884,591</u></u>	<u><u>\$61,225,576</u></u>

Signed on behalf of the Board:

R. H. Morse, III, Director

J. E. McQuilkin, Director

LIABILITIES	1969	1968
CURRENT LIABILITIES:		
Bank indebtedness (secured \$5,828,281)	\$13,774,975	\$12,620,344
Notes payable	6,093,215	5,762,147
Trade and other accounts payable	13,302,149	12,610,898
Income and other taxes	1,245,735	1,503,096
Instalments on long-term debt (Note 4)	518,562	533,028
	<u>34,934,636</u>	<u>33,029,513</u>
DEFERRED INCOME TAXES	<u>858,155</u>	<u>802,402*</u>
LONG-TERM DEBT (Note 4)	<u>6,966,283</u>	<u>7,462,224</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>63,375</u>	<u>90,577</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5):		
Authorized —		
200,000 Preferred shares of the par value of \$50 each, issuable in series		
4,000,000 Class A shares without nominal or par value		
2,000,000 Class B shares without nominal or par value		
Issued —	1969	1968
5 1/2% Cumulative Redeemable Convertible Preferred Shares		
Series A	70,540	71,730
Series B	72,000	72,000
Shares without nominal or par value		
Class A	602,807	592,232
Class B	254,135	254,135
RETAINED EARNINGS (Note 6)	10,912,606	10,821,857
	9,149,536	9,001,454*
	20,062,142	19,823,311
	<u>\$62,884,591</u>	<u>\$61,225,576</u>

(See Notes to Financial Statements)

*Restated to reflect prior year adjustment



Robert Morse Corporation Limited
and Subsidiary Companies

Statement of Source and Application of Funds

For the year ended December 31, 1969

	1969	1968
Funds provided —		
From operations:		
Net income before extraordinary items	\$ 1,455,740	\$ 1,367,703
Depreciation	1,046,393	933,815
Deferred income taxes	55,753	(83,526)
	2,557,886	2,217,992
Income from extraordinary items before deducting deferred income taxes — \$358,408 and book value of assets sold — \$224,696	—	1,282,988
 Issue of capital stock:		
Shares without nominal or par value	81,824	90,000
Amounts received on conversion of Preferred shares	8,925	—
	90,749	90,000
	2,648,635	3,590,980
 Funds applied —		
Additions to fixed assets (net)	1,290,239	3,107,873
Dividends paid	1,221,290	1,212,461
Reduction of long-term debt	513,490	669,296
Excess of purchase price of shares of subsidiaries over net assets acquired	(2,398)	1,132,614
Payment of guarantee price re share purchase warrant	86,368	—
Other	27,202	18,085
	3,136,191	6,140,329
Decrease in working capital	\$ 487,556	\$ 2,549,349

(See Notes to Financial Statements)

Notes to Consolidated Financial Statements, December 31, 1969

1. BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Robert Morse Corporation Limited and those of all of its subsidiary companies. Accounts of subsidiaries expressed in currencies other than Canadian have been translated into Canadian dollars at appropriate rates of exchange.

2. DIRECTORS' REMUNERATION:

Directors' fees and remuneration of salaried directors for the year amounted to \$386,122.

3. EXTRAORDINARY ITEMS:

The extraordinary items in 1968 consisted of (a) gain on sales of the Pasadena, California property of Johnston Pump Company (less related deferred income taxes \$358,408) — \$375,247 and (b) gain on sale of marine propulsion business sold in 1967 at a price subject to adjustment in 1968 and 1970 on completion of contracts — \$324,637.

4. LONG-TERM DEBT:

	1969	1968
Note* payable in semiannual instalments of US\$91,386 to 1990 (effective interest rate 5.15%)	\$ 2,617,552	\$ 2,689,727
Note* payable in semiannual instalments of US\$126,183 to 1975 (effective interest rate 5.15%)	1,406,987	1,605,577
6% Subordinated Debentures* US\$1,500,000 due in 1971	1,570,305	1,570,305
6½% Mortgage loan* payable quarterly to 1987	1,528,696	1,566,640
6% Subordinated Serial Notes* payable US\$68,893 annually to 1972	146,181	218,121
Other term obligations, payable over periods varying from one to five years	215,124	362,431
	<hr/> 7,484,845	<hr/> 8,012,801
Less: Amounts due within one year, included with current liabilities	518,562	533,028
	<hr/> \$ 6,966,283	<hr/> \$ 7,479,773

* Debentures, loans and notes secured by collateral mortgages or trust deeds against fixed assets.

5. CAPITAL STOCK:

(a) Class A Shares:

The holders of Class A shares are entitled to a cumulative annual dividend of 70¢ per share and to participate equally in further amounts per share after payment of a non-cumulative dividend of 60¢ per share on Class B shares. The Class A shares are

non-voting unless arrears of cumulative dividends aggregate \$1.40 per share. The Company may purchase for cancellation any or all of the outstanding Class A shares by invitation for tenders addressed to all holders or in the open market, after having notified vendors that the Company is the purchaser.

(b) Issue of Shares in 1969:

- (i) 2,975 Class A shares were issued upon conversion of 1,190 5½% Cumulative Redeemable Convertible Preferred Shares Series A, concurrent with an aggregate cash payment to the Company of \$8,925.
- (ii) 7,600 Class A shares were issued under the Warrant referred to in Paragraph 5 (c) (iii) below for an aggregate cash consideration of \$81,824.

Rights with respect to the remaining 9,327 Class A shares which were to have been issued in 1969 under the Warrant were cancelled upon payment by the Company to the holder of the Warrant of \$86,368 representing the guaranteed price with respect to such shares. This payment has been charged to retained earnings.

(c) Conversion Privileges and Warrant:

- (i) The conversion privilege attached to the Series A Preferred shares entitles the holders thereof to convert each Preferred share at any time into 2½ Class A shares upon payment to the Company of \$7.50 for each Preferred share converted.
- (ii) The conversion privilege attached to the Series B Preferred shares entitles the holders thereof to convert each Preferred share at any time into 2 Class A shares upon payment to the Company of \$2.00 for each Preferred share converted.
- (iii) In 1962 the Company issued a Warrant, exercisable to December 31, 1971, for the purchase of up to 150,000 Class A shares of the Company at a price of US\$10 per share. In 1968 the terms of this Warrant were amended so as to provide for an annual exercise of the rights under the Warrant, commencing in 1969, to the extent of 2% of the aggregate number of Class A and Class B shares outstanding at the previous year end. In consideration for the amendment of the Warrant, the Company has given its original holder a non-transferable guarantee of a net price, upon sale or transfer of any part of the Warrant, equal to not less than the difference between \$20 Canadian and the Canadian equivalent of

US\$10 per share. To December 31, 1969 rights with respect to 16,927 Class A shares were exercised or cancelled and, in accordance with the provisions of the Warrant, 17,139 Class A shares will be issued in 1970 or rights to such shares not issued will be cancelled upon payment of the guarantee.

(d) Reservation of Shares:

Class A shares are reserved as follows:

For conversion privilege attached to Series A Preferred shares	176,350
For conversion privilege attached to Series B Preferred shares	144,000
For Warrant issued in 1962 exercisable at \$10 (U.S. funds) per share	133,073
For issue to Trustees of the Company's Stock Purchase Plan at a price to be determined at date of issue . . .	5,000
For an option granted in 1968 to an officer of a subsidiary exercisable at \$18 per share to February 15, 1973 . . .	3,000
	461,423

6. RETAINED EARNINGS:

The provisions attached to the Series A and Series B Preferred shares restrict to \$3,732,997 the amount of retained earnings as at December 31, 1969 available for payment of dividends on Class A and Class B shares, for purchase for cancellation of Class A shares or for payment of tax on undistributed income under Section 105 of the Income Tax Act.

7. COMMITMENTS AND CONTINGENCIES

- (a) For conditional sales contracts discounted \$7,209,000.
- (b) For lease rentals aggregating \$616,000 annually, the major portion being for periods extending from three to twenty years.

(c) Two United States subsidiaries have received notices of proposed income tax deficiencies amounting to US\$733,000 for the years 1964-66 inclusive. The proposed deficiencies are being vigorously contested in the United States Tax Courts. Similar items are present in the years 1967-69.

There is no way of determining the liability, if any, under these proposed deficiencies at this time, or the amount of any relief from Canadian taxation which may be available to the parent company if any

portion of the proposed deficiencies is upheld. No provision has therefore been made in the accompanying financial statements for additional liabilities, if any, which may arise in respect of the years 1964-69 inclusive.

(d) The Company is committed to purchase the minority shareholders' interest in two subsidiaries, Mid-Western Compressor Supplies Ltd. and Mid-Western Machine Works Ltd., by 1972 at prices based upon earnings of the companies.

Auditors' Report

TO THE SHAREHOLDERS OF ROBERT MORSE CORPORATION LIMITED

We have examined the consolidated balance sheet of Robert Morse Corporation Limited and subsidiary companies as at December 31, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Robert Morse Corporation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

Subject to the final determination of the possible additional liabilities for income taxes referred to in Note 7, in our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Montreal, February 27, 1970



Robert Morse Corporation Limited
and Subsidiary Companies

Five-Year Review

	1969	1968	1967	1966	1965
OPERATING RESULTS					
Net sales	\$119,053,000	\$101,960,000	\$95,574,000	\$93,280,000	\$80,359,000
Income before Taxes . .	3,685,000	2,890,000	3,209,000	3,577,000	2,558,000
Income Taxes.	2,229,000	1,522,000	1,396,000	1,633,000	1,011,000
Income before Extraordinary items . .	1,456,000	1,368,000	1,813,000	1,944,000	1,547,000
Net Income	1,456,000	2,068,000	2,433,000	1,944,000	1,547,000
Preferred Share Dividends	393,000	395,000	321,000	124,000	
Class A and B Share Dividends	828,000	817,000	762,000	643,000	531,000
Depreciation	1,046,000	934,000	736,000	620,000	602,000
Funds Provided from Operations	2,558,000	2,218,000	2,705,000	2,564,000	2,150,000
FINANCIAL POSITION					
Working Capital	16,693,000	17,180,000	19,730,000	14,351,000	11,724,000
Total Assets	62,885,000	61,226,000	52,148,000	48,990,000	41,005,000
Long-Term Debt	6,966,000	7,480,000	8,149,000	6,941,000	7,556,000
Shareholders' Equity	20,062,000	19,983,000	19,208,000	13,636,000	8,999,000
SHAREHOLDER INFORMATION					
Per Share					
Earnings					
— Class A . .	1.27	1.18 ^(a)	2.01 ^(b)	1.87 ^(a)	2.64 ^(b)
— Class B . .	1.17	1.08 ^(a)	1.91 ^(b)	1.77 ^(a)	2.54 ^(b)
Dividends					
— Preferred A	2.75	2.75	2.75	1.72 ^{1/2}	
— Preferred B	2.75	2.75	1.71 ^{1/2}		
— Class A . .	1.00	1.00	0.97 ^{1/2}	0.85	0.72 ^{1/2}
— Class B . .	0.90	0.90	0.87 ^{1/2}	0.75	0.62 ^{1/2}
Shareholders' Equity — Class A and B	15.09	15.12	14.29	12.65	11.58
Average Shares Outstanding					
Class A	599,000	589,000	557,000	531,000	517,000
Class B	254,000	254,000	254,000	254,000	250,000

(a) excluding extraordinary items

(b) including extraordinary items

Organization

HOWE RICHARDSON SCALE COMPANY, Clifton, N.J.

Walter M. Young, *President*
John W. Aquadro, *Vice President, Systems Division*
Arthur J. Burke, *Vice President, Engineering*
John G. Fenton, *Senior Vice President*
Joseph Giner, *Vice President, Sales*
Russel J. Pederson, *Vice President, Finance*
John R. Szogeny, *Vice President, Operations*

CANADIAN SCALE DIVISION, Montreal Quebec

Fred J. Benoit, *General Manager*

HOWE RICHARDSON SCALE CO. LIMITED, Nottingham, England

T. Alan Shore, *Managing Director*

HOWE RICHARDSON SCALE (AFRICA)

(PROPRIETARY) LIMITED, Johannesburg, South Africa

George Oliver, *Managing Director*

RICHARDSON SCALE COMPANY (FRANCE) S.A., Paris, France

Alphonse Dingemans, *President and Managing Director*

HOWE RICHARDSON SCALE CO. PTY. LIMITED, Broadmeadow, Australia

John James, *Managing Director*

JOHNSTON PUMP COMPANY, Glendora, California

L. Allan Weom, *President and General Manager*
John R. Mapel, *Senior Vice President*
George C. Fee, *Vice President, Manufacturing*
Paul E. Barnhart, *Vice President, Controller and Secretary*

JOHNSTON HOWE DE MEXICO S.A. DE C.V., Mexico City, Mexico

Salvador Madero, Jr., *Executive Vice President and General Manager*

CANADIAN EQUIPMENT SALES & SERVICE CO. LTD., Edmonton, Alberta

William Suter, *President and Managing Director*
Laurence Wenger, *Vice President*
Herbert Bear, *Vice President*
Don W. Rushton, *Vice President*

MID-WESTERN COMPRESSOR SUPPLIES LTD., Calgary, Alberta

MID-WESTERN MACHINE WORKS LTD., Calgary, Alberta

W. Suter, *President*

RUDEL INDUSTRIAL DIVISION, Montreal, Quebec

Meredith S. Hayes, *Vice President and General Manager*

FORESTRY EQUIPMENT & MATERIALS HANDLING DIVISION, Montreal, Quebec

Joseph A. Moreau, *General Manager*

GALBRAITH & SULLEY LIMITED, Vancouver, B.C.

George P. Clarke, *President and General Manager*

ENGINEERING SALES DIVISION, MACKEY AUTOMATION AND CONTROLS LTD., Montreal, Quebec

Robert T. Triant, *General Manager*

ROBERT MORSE APPLIANCES LIMITED, Edmonton, Alberta

William L. Foote, *Executive Vice President*

CANADIAN REGIONAL OPERATIONS

Arnold R. Tunis, *Regional General Manager, Atlantic*
Allen L. Matthews, *Regional General Manager, Central*
Cyril H. Gibson, *Regional General Manager, Prairie*
George P. Clarke, *Regional General Manager, Pacific*

Sales Offices and Warehouses

Canada	Montreal	Toronto	Charlotte	Hartford	Omaha
Calgary	New Richmond	Vancouver	Chicago	Houston	Philadelphia
Chicoutimi	Ottawa	Windsor	Cincinnati	Idaho Falls	Pittsburgh
Cranbrook	Prince George	Winnipeg	Cleveland	Jackson	Portland
Edmonton	Quebec		Clifton	Kansas City	Richmond
Fort William	Regina	U.S.A.	Dallas	Los Angeles	St. Louis
Grande Prairie	Rouyn	Albany	Denver	Memphis	San Francisco
Halifax	St. Catharines	Atlanta	Des Moines	Milwaukee	Seattle
Hamilton	Saint John	Baltimore	Detroit	Minneapolis	Spokane
Kamloops	St. John's	Birmingham	Fresno	Newark	Tampa
Kitchener	Saskatoon	Boston	Glendora	New Orleans	Trenton
London	Sault Ste. Marie	Buffalo	Goodland	New York	West Palm Beach
Lunenburg	Sydney	Burlingame			

Plants

Montreal, Quebec	Clifton, New Jersey	Glendora, California	Rutland, Vermont	Nottingham, England	Broadmeadow, Australia
Edmonton, Alberta	Minneapolis, Minnesota	Southgate, California	Mexico City, Mexico	Paris, France	Johannesburg, South Africa

Board of Directors

Henry G. Birks
Chairman, Henry Birks & Sons Ltd., Montreal

Joseph M. Breen
Director, Canada Cement Co. Ltd., Montreal

Raymond B. Carey, Jr.
Group Vice President, Montreal

R. deWolfe MacKay, Q.C.
*Duquet, MacKay, Weldon, Bronstetter,
Willis & Johnston, Montreal*

James E. McQuilkin
Vice President — Finance, Montreal

Robert Morse, III
*President and Chief Executive Officer,
Montreal*

Gérard Plourde
President, United Auto Parts Inc., Montreal

Hubert T. Richardson
*President, Richardson Corporation,
Clifton, New Jersey*

John M. Rudel
Vice President, Montreal

Robert Smillie
*Senior Vice President —
Corporate Development, Montreal*

Claude M. Tétrault
*Vice President —
General Counsel and Secretary, Montreal*

L. Allan Weom
*President, Johnston Pump Company,
Glendora, California
Vice President, Robert Morse Corporation*

Corporate Officers

Robert Morse, III
President and Chief Executive Officer

Raymond B. Carey, Jr.
Group Vice President

James E. McQuilkin
Vice President — Finance

John M. Rudel
Vice President

Robert Smillie
*Senior Vice President —
Corporate Development*

Claude M. Tétrault
*Vice President —
General Counsel and Secretary*

L. Allan Weom
Vice President

G. Samuel Carpenter
Comptroller and Assistant Secretary

Walter S. Pierce
*Assistant to the President
and Assistant Secretary*

EXECUTIVE OFFICES: 1155 Dorchester Boulevard West, Montreal 102, Canada

AUDITORS: Price Waterhouse & Co., Montreal

TRANSFER AGENTS: The Royal Trust Company, The First National Bank of Chicago

BANKERS: Bank of Montreal, The Royal Bank of Canada, First National City Bank, New Jersey Bank and Trust Company, Continental Illinois National Bank and Trust Company of Chicago

MANUFACTURERS OF:

Process control systems
Scales and weighing systems
Packaging equipment
Bulk handling equipment
Vertical irrigation and industrial pumps
Propeller and mixed flow pumps
Electric generating sets
Control panels
Sawmill machinery
Specialized equipment for the oil
and gas industry

CANADIAN DISTRIBUTORS OF:

Machine tools and metalworking machinery
Industrial equipment and supplies
Textile machinery
Materials handling equipment
Forestry equipment
Industrial diesel engines
Gas compressors



ROBERT MORSE
CORPORATION LIMITED

A Canadian Company with subsidiaries in Canada, the U.S.A. and abroad.